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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001098

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TAGS: [PGOV](#) [PREL](#) [ETRD](#) [ECON](#) [TW](#)

SUBJECT: TAIWAN ENTREPRENEUR CRITIQUES CROSS-STRAIT TIES,
LOCAL POLITICS

Classified By: AIT director Stephen M. Young. Reason(s):
1.4 (B/D)

Summary:

¶1. (C) DIR met one-on-one with Powerchip (DRAM) Company founder and CEO Frank Huang on May 14 to discuss internal politics and his own situation. Huang shrugged off recent investigations of him for alleged insider trading, but admitted the breathless front page publicity has damaged his reputation. Huang shared his views on the Taiwan political scene, praising DPP presidential candidate Frank Hsieh as a pragmatist who can be expected to advance Taiwan business interests if elected. Huang, who was in Beijing last month with Lien Chan, claims that China's leaders have written Chen Shui-bian off and are now looking toward more productive relations with his successor following May, 2008. Huang also repeated the view that Taiwan's semiconductor industry will remain dominant for at least the next 5-10 years, and in particular cannot be threatened by the PRC given their systemic weaknesses in this field. End Summary.

¶2. (C) Huang has recently been under investigation for possible insider trading with a subsidiary company, Veutron Corp, back in 2002. He told DIR he was confident after discussing the case with the prosecutors that no charges will be filed, but he admitted that all the histrionic and inaccurate publicity circulating in the Taiwan press has damaged his reputation in ways that are more difficult to remedy. (Note: other plugged-in business contacts of our's like TSMC's CEO Morris Chang have confirmed the view that Huang will not be indicted over the Veutron affair.) Huang also opined that the charges against KMT presidential candidate Ma Ying-jeou will never result in a conviction. It is one thing for an ambitious prosecutor to press charges, but another thing altogether for a judge and prosecutor to decide the political future of Taiwan by convicting a leading presidential candidate of such flimsy charges.

¶3. (C) Huang was upbeat about the choices for president, claiming friendships with both Frank Hsieh (Chang-ting) and Ma Ying-jeou. His family and Hsieh's family grew up in the same old Taipei neighborhood and know one another fairly well. Huang drew a distinction between more cosmopolitan

city-reared Taiwanese like Frank Hsieh, and the less polished Chen Shui-bian or Su Tseng-cheng, whose roots are southern and rural. Hsieh will be a pragmatic, pro-business leader if elected, Huang predicted, based in part upon his record as Kaohsiung mayor and premier. In this regard, Huang regarded Hsieh as ultimately the better candidate than Ma, since he felt Ma would be more constrained by the deeply conservative old guard in the KMT if elected. For many of these deep Blue greybeards, the ideal remains return to the good old days when the KMT controlled everything and had no need to compromise or share power. Unrealistic as this is, this vision clouds the outlook for many like Honorary Chairman Lien Chan, Chairman Wu Po-hsiung and PFP spiritual leader James Soong, making them fundamentally authoritarian.

14. (C) Frank Huang participated in the late April cross-strait business forum in Beijing where Lien Chan met with Hu Jintao. Though he remains puzzled by Lien Chan's motives in forging these quasi-formal political ties with Beijing, Huang felt he couldn't refuse the invitation to participate in the forum. He was critical of the fawning attitude of many KMT legislators during the session. Huang claimed, based on his most recent trip to China, that his contacts in Beijing have written off Chen Shui-bian and are now busy looking toward next year's change of power on Taiwan. But they remain somewhat leery of Ma Ying-jeou, since they see him as divorced from the old KMT which is more familiar to members of the CCP. Huang had been in Beijing prior to Frank Hsieh's victory in the DPP primary, but expected leaders there to be relieved that the most pragmatic of the DPP candidates had come out on top.

15. (C) When told that China was signaling significant concern over possible Chen Shui-bian activities during his

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last year in office in their contacts with Washington, Huang laughed and said "they're pulling your leg!" In his estimation China is now comfortable that they have outlasted Chen and can expect smoother relations with Taiwan after May, 2008. Huang also predicted the upcoming retirement of TAO Chairman Chen Yunlin, to be replaced by Executive Vice Chairman Zheng Lihong, will bring a more open view of Taiwan to that organization. Fundamentally, Huang believes from his contacts with PRC officials that Hu Jintao is considerably more open-minded regarding Taiwan than Jiang Zemin had been, and was in no rush to resolve the Taiwan question, so long as the island doesn't take irrevocable steps toward independence.

16. (C) Huang, like nearly all Taiwan businessmen, would like to see liberalized cross-strait economic ties, and believes newly appointed Premier Chang Chun-hsiung may take some steps in this direction. He was favorably viewed by the business community during his earlier stint as premier. But the key remains Chen Shui-bian, who may see this as politically unwise in his calculations of DPP advantage during the run-up to legislative and presidential elections. In any event, Huang expects the next president of Taiwan to be more pro-active in establishing direct links and easing other restrictions on the cross-strait relationship.

17. (C) Frank Huang remains bullish on Taiwan's hi-tech sector, which he predicts will face no real challenge from China for the next 5-10 years because the mainland lacks the creativity and flexibility which have made Taiwan such a star in this area. He related a controversy recently concerning China's attempts to change Taiwan's nomenclature within the World Semiconductor Council (WSC), which consists of the U.S., Japan, South Korea, the EU, China and Taiwan. Huang, as President of the Taiwan Semiconductor Industry Association (TSIA), represents Taiwan in the WSC. He reported at their latest meeting that China was still trying to force a change in TSIA's name to reflect the current Olympic formula of Chinese Taipei. Huang attributed much of this politicization to conservatives in China's MFA, including the past minister Li Zhaoxing. Huang hoped Yang Jiechi would bring a more

enlightened attitude to such questions, but remained unsure at this early date what to expect.

Comment:

18. (C) A U.S. educated medical doctor turned entrepreneur, Frank Huang gained enhanced international celebrity when he signed a \$14 billion dollar multi-year deal with Japanese firm Elpidia to build several DRAM fab foundries in Taiwan last fall. Like many Taiwan businessmen, he seems comfortable with both sides of the political spectrum here, and has ties to the mainland, though the bulk of his business remains centered here. His views -- if somewhat more outspoken -- reflect fairly mainstream opinion in the Taiwan business community, though he is less dependent on cross-strait trade than many tycoons who have moved their production across the strait to take advantage of low labor costs.

YOUNG